

Congress of the United States
Washington, DC 20515

January 31, 2005

Mark Everson
Commissioner, Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Commissioner Everson:

With our national savings rate well below one-percent, it is imperative that the government embrace innovative and cost-effective means of boosting personal savings. One of the most promising strategies for achieving this – particularly among low and moderate-income working families who most need increased retirement security – would be to facilitate the direct deposit of federal income tax refunds into IRAs and other similar accounts. We ask that the IRS adopt technical changes that would enable such “split refunds,” thereby opening another door to savings for many Americans.


While tax refunds amount to substantial income for many Americans, current IRS rules do not allow taxpayers to directly deposit their refund into more than one account. Persuasive evidence suggests that taxpayers would be more likely to save a portion of their refund if they could direct the IRS to deposit a portion in an IRA, Section 529 account, or some other savings vehicle, while sending the balance of the refund to a checking account to meet immediate needs.

A community pilot program implemented last tax season proved that even low income tax filers, those who have the least likelihood but greatest need of saving, would take advantage of this option. Doorways to Dreams Fund and the Community Action Project of Tulsa County offered 472 tax filers the opportunity to split their refunds between a savings account and a refund check. The average income of the tax filers was \$13,440. Of the people who were offered the opportunity, about one-third opted to participate. According to researchers at the Harvard Business School and the University of Kansas, participants deposited \$583 on average—47 percent of their refunds—into savings accounts. Seventy-five percent of these individuals had no prior savings.

We were pleased that the Administration’s 2005 budget included a split refund proposal, but we were disappointed to see that the IRS failed to implement this change last year. We hope, however, that the IRS will move quickly to implement a split refund option in time for the 2005 tax season. As we work as a nation to remove disincentives to savings and encourage low- and moderate-income individuals to build assets, the changes supported last year by the President should not be delayed for another tax year.

Thank you for your commitment to helping all individuals build a more financially secure future for themselves and their families. We look forward to working with you on this important proposal.

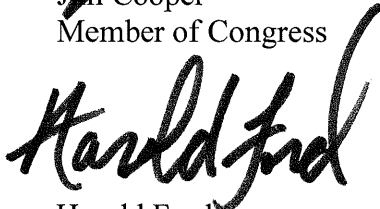
Sincerely,




Jim Cooper
Member of Congress



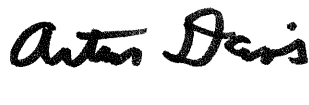
Phil English
Member of Congress



Harold Ford
Member of Congress



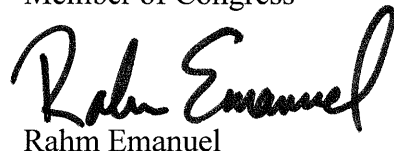
Chris Chocola
Member of Congress



Artur Davis
Member of Congress




Lincoln Davis
Member of Congress



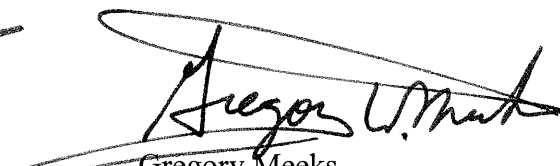
Rahm Emanuel
Member of Congress



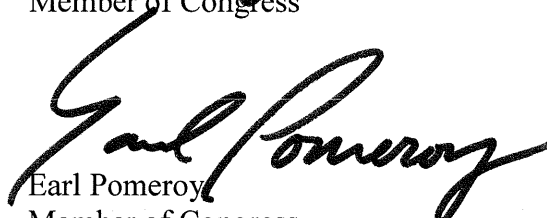
Jane Harman
Member of Congress



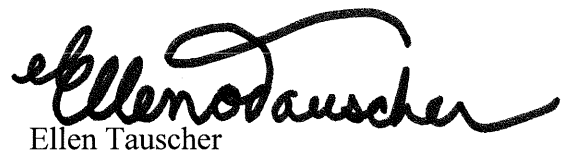
J.D. Hayworth
Member of Congress



Gregory Meeks
Member of Congress



Earl Pomeroy
Member of Congress



Ellen Tauscher
Member of Congress

cc: Secretary of the Treasury John W. Snow
Assistant Secretary for Tax Policy Gregory F. Jenner,
Office of Management and Budget Director Joshua B. Bolton